

# Congress of the United States

Washington, DC 20515

The Honorable Lina M. Khan  
Chair  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

September 29, 2023

Dear Chair Khan:

We write to express our concerns regarding the significant rise in gasoline prices across California over recent weeks. Given these gas price increases, which far exceed increases in other states, we urge you to investigate potential market-distorting behavior between traders and refiners, as well how the current market structure may spur volatility to the detriment of California consumers.

According to the U.S. Energy Information Administration, as of September 25, 2023, the gasoline prices in California were \$5.699 per gallon, which is \$1.862 above the U.S. average.<sup>1</sup> The gas prices in some areas of California have now surpassed \$6.00 per gallon, having risen quickly over the past week, and significantly over the past month.<sup>2</sup> This spike follows a period of relative stability from March 1 through August 1, 2023.<sup>3</sup>

We are pleased that Governor Newsom and the California State Legislature have taken a number of actions throughout the past year to reduce pain at the pump for Californians, including by creating the new Division of Petroleum Market Oversight (DPMO). The DPMO is an independent agency within the California Energy Commission that monitors petroleum markets, increases transparency, and highlights potential market manipulation.

On September 22, 2023, the DPMO released an interim update in their independent market oversight capacity regarding these price increases. The DPMO found that the recent price spike is attributable to three main factors: an increase in global crude oil prices, refinery maintenance events over the summer, and an unusual spot market transaction.<sup>4</sup> We write today with particular concern about the third factor.

The DPMO notes that on Friday, September 15, 2023, an unusual transaction took place, which caused the price of gasoline to increase by nearly 50 cents per gallon on the California spot market.<sup>5</sup> Since many gasoline supply transactions are pegged to the most recent prices reported

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<sup>1</sup> U.S. Energy Information Administration, <https://www.eia.gov/petroleum/gasdiesel/>

<sup>2</sup> American Automobile Association, <https://gasprices.aaa.com/?state=CA>

<sup>3</sup> California Energy Commission, [https://www.energy.ca.gov/sites/default/files/2023-09/DPMO\\_Interim\\_Update\\_on\\_California%E2%80%99s\\_Gasoline\\_Market\\_September\\_2023\\_ada.pdf](https://www.energy.ca.gov/sites/default/files/2023-09/DPMO_Interim_Update_on_California%E2%80%99s_Gasoline_Market_September_2023_ada.pdf)

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

to the Oil Price Information Service (OPIS), and there were no other trades reported to the OPIS over the next two trading days, that single trade led to price increases into the following week. These elevated costs have been passed onto California drivers, likely costing them millions of dollars at the pump.

We are concerned that this spot market transaction may represent market-distorting behavior between traders and refiners under the Federal Trade Commission's (FTC) "Prohibition of Energy Market Manipulation Rule."<sup>6</sup> We urge you to work with the California DPMO to investigate this transaction further.

Additionally, we appreciate the FTC's commitment to close oversight of fuel markets in California and across the country. This work is critical to ensuring that market participants are not acting unlawfully at the expense of the American people. This transaction and its outsized impact have highlighted the continued need for federal oversight over these markets. They also elicit concerns about how the current market structure has allowed for a single trade in a volatile and illiquid spot market to increase costs for Californians. We urge the FTC to continue to investigate and monitor the business practices of traders and refiners to ensure that these companies do not engage in any anti-consumer behavior.

We thank you for your consideration of this request.

Sincerely,



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Mike Levin  
Member of Congress



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Barbara Lee  
Member of Congress



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Jared Huffman  
Member of Congress

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<sup>6</sup> 16 CFR Part 317



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Katie Porter  
Member of Congress



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Mike Thompson  
Member of Congress



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Zoe Lofgren  
Member of Congress



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Mark Takano  
Member of Congress



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Pete Aguilar  
Member of Congress



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Nanette Diaz Barragán  
Member of Congress



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Ami Bera, M.D.  
Member of Congress



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Julia Brownley  
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Salud Carbajal  
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Tony Cárdenas  
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Judy Chu  
Member of Congress



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Mark DeSaulnier  
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Anna G. Eshoo  
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John Garamendi  
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Robert Garcia  
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Jimmy Gomez  
Member of Congress



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Josh Harder  
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Sara Jacobs  
Member of Congress



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Ro Khanna  
Member of Congress



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Ted W. Lieu  
Member of Congress



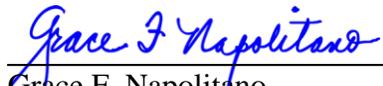
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Doris Matsui  
Member of Congress



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Kevin Mullin  
Member of Congress



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Grace F. Napolitano  
Member of Congress



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Jimmy Panetta  
Member of Congress



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Nancy Pelosi  
Member of Congress



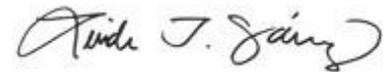
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Brad Sherman  
Member of Congress



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Eric Swalwell  
Member of Congress



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Norma J. Torres  
Member of Congress



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Juan Vargas  
Member of Congress



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Maxine Waters  
Member of Congress



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Jim Costa  
Member of Congress

cc: Attorney General Merrick B. Garland  
Secretary of Energy Jennifer M. Granholm  
California Attorney General Rob Bonta  
Division of Petroleum Market Oversight Director Tai Milder